Unit 12 – Learning Aims A, B, C - Partnership

1 - Oliver Carter and Eliza Rossini own a music merchandise store and trade as a partnership called Oliza. They have given you the following information and have asked you to produce a Statement of Financial Position and an Income Statement for the period ending 31st December this year:

Inventory as at 1st January this year	£25 000
Revenue sales	£240 000
Purchases	£80 000
Property	£180 000
Provision for depreciation of property	£9 000
Fixtures and fittings	£20 000
Provision for depreciation of fixtures and fittings	£8 000
Wages and salaries	£30 200
Shop expenses	£16 200
Trade receivables	£2 000
Trade payables	£9 000
Bank overdraft	£7 000
Bank loan	£60 000
Capital accounts: Oliver	£60 000
Eliza	£35 000
Current accounts: Oliver	£3 000
Eliza	£1 000
Drawings: Oliver	£34 000
Eliza	£44 600

The following additional information was provided at 31st December this year:

Inventory was valued at £30 000
Wages and salaries owing £1 800
Shop expenses pre-paid £600
Depreciation for the year was to be charged on the:
- property £2 000
- fixtures and fittings by 10% using the straight line method

Goods taken for own use – Oliver £500, Eliza £400

The partners have agreed the following:

Eliza to receive a partnership salary of £10 000
Interest is to be allowed on partner's capital accounts at 10% per year
Remaining profits and losses to be shared equally
There is no interest charged on partner's drawings

2 - Oliver and Eliza have agreed to take on a new partner, Ricardo with a profit sharing ratio of Oliver (2), Eliza (2) and Ricardo (1).

Their current Net Assets are £140 000 made up from Oliver's capital of £80 000 and Eliza's capital of £60 000

Goodwill has been valued at £40 000 and is not to be retained in the accounts. Ricardo will introduce capital of £32 000 cash.

You have been asked to show the new capital accounts of the partners and the goodwill account

3 – Eliza is considering leaving the partnership. Oliver would like to know what effect this will have if the assets are revalued. This is an extract of the current Statement of Financial Position

Oliza
Statement of Financial Position as at 31 December

		£	£
Non-current Assets			Net book value
Property			120 000
Fixtures and fittings			40 000
			160 000
Current Assets			
Inventory		20 000	
Trade receivables		8 000	
Bank		12 000	
		40 000	
Less Current Liabilities			
Trade payables	30 000		
Net Current Assets			10 000
NET ASSETS			170 000
FINANCED BY			
Capital Accounts			
Oliver		70 000	
Eliza		60 000	
Ricardo		40 000	

170 000

The partners have agreed the following:

Profits and losses will be shared equally
Goodwill is valued at £30 000
Property is now valued at £170 000
Fixtures and fittings are now valued at £30 000
Inventory is now valued at £12 000
Doubtful debt has been valued at £2000

Complete the revaluation and goodwill accounts and new statement of financial position for Oliza should Eliza leave

4 – The following year, Eliza has decided to leave the partnership. Profit sharing has remained at 2:2:1 and an extract of their current statement of financial position is as follows:

Statement of Financial position of Olizer as at 31st December ..

	£
Net Assets	150 000
Capital Accounts	
Oliver	65000
Eliza	55 000
Ricardo	30 000
	150 000

Goodwill has been valued at £30 000 and is not to be retained in the accounts. Eliza has agreed to leave £10 000 in the business in the form of a loan. Oliver and Ricardo will continue the partnership with a profit and loss sharing ratio of 2:1

Complete the capital and goodwill accounts and produce a new statement of financial position

5 – Oliver and Ricardo have decided to change their profit sharing ratio from 2:1 to equal shares of any profits and losses. They have valued goodwill at £30 000 and have given you an extract of their current statement of financial position. Complete the capital and goodwill accounts and produce a new statement of financial position

Statement of financial position of Olizer as at 31st December ..

	£
Net Assets	90 000
Capital Accounts	
Oliver	50 000

Ricardo	40 000
	90 000